

WASHINGTON. D.C. – As the Obama Administration prepared to announce a new plan to address rising foreclosures, House Committee on Oversight and Government Reform Ranking Member Darrell Issa (R-CA) has called on the Obama Administration to put forward a viable plan to address the Government Sponsored Enterprises (GSEs) such as Fannie Mae and Freddie Mac, which were at the heart of the subprime housing collapse last fall that sent our economy into a tail-spin.

“As long as the Administration continues to sidestep the larger issues such as job creation and how they intend to deal with Fannie and Freddie, subsequent misadventures into the mortgage market will continue to be an exercise in futility,” said Issa. “Ultimately, as we have learned with the failure of HAMP’s implementation, the devils in the details. One of the worst aspects of HAMP is the uncertainty borrowers face. They don’t know if they’ll end up qualifying for permanent modifications. They don’t know if they should make arrangements for other housing. They don’t know if the modified payments they struggle to afford will end up being money down the drain. If the new initiative is anything like HAMP in this regard, the uncertainty will be worse.”

The Special Inspector General for the TARP (TARP) [released a report today](#) that underscores one of the central problems of HAMP: The “program will not be a long-term success if large amounts of borrowers simply re-default and end up facing foreclosure anyway.”

“If the Administration’s new initiative for unemployed homeowners is temporary, just like the vast majority of HAMP modifications, or if the bulk of homeowners in the new initiative re-default

and are foreclosed on anyway, as SIGTARP predicted, then we will have wasted taxpayer money on a program that hurt people more than it helped them,” cautioned Issa.

Issa also pointed to a [quarterly report released by the SIGTARP in January](#) that warned what could happen should policymakers continued to ignore the role that government intervention has played in contributing to and prolonging the economic crisis.

“The SIGTARP report was very clear, unless the Congress takes a detour from their current path – another and much deeper financial meltdown is inevitable,” Issa warned. “These are smoking gun reports that highlight the perils in continuing the bailout first mentality that has continued to leave us vulnerable to repeat the cycle that led to the financial meltdown. Congress and the Administration need to act thoughtfully, deliberately and honestly to stave off another collapse.”

In July of last year, Ranking Member Issa [released a report](#) detailing the role that the government’s ‘affordable housing policies’ played in creating the global financial crisis.

[According to the report](#)

, government intervention “created ‘affordable’ but dangerous lending policies which encouraged lower down payments, looser underwriting standards and higher leverage. Finally, government intervention created a nexus of vested interests – politicians, lenders and lobbyists – that profited from the ‘affordable’ housing market and acted to kill reforms. In the short run, this government intervention was successful in its stated goal – raising the national homeownership rate.”

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